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MAY 5 1994

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

May 5, 1994

EX PARTE

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C.

Re: CC Docket 92-77

Dear Mr. Caton:

Please be advised that on May 5, 1994 Whit Jordan of BellSouth, Ellen White and the undersigned of Bell Atlantic met with Richard Metzger, Kathy Levitz, Roxanne McElvane, and Mark Nadel of the Common Carrier Bureau. The purpose of the meeting was to jointly discuss our opposition to Billed Party Preference.

Attached is a copy of the handout distributed at the meeting. Please include this correspondence in the public record of the above-captioned proceeding.

Marie Breslin

Attachment

cc: A. R. Metzger
K. Levitz
R. McElvane
M. Nadel

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BILLED PARTY PREFERENCE

**FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY**

CONSUMER NEED FOR BILLED PARTY PREFERENCE IS DIMINISHING

- **Telephone Operator Consumer Services Improvement Act (TOCSIA)**
 - **Industry has spent millions to implement TOCSIA**
 - **Unblocking of Access Codes**
 - **Call Branding**
 - **Payphone Signage**
 - **FCC's 1992 Report to Congress says TOCSIA working**
- **Operator Transfer Service gives consumers carrier of choice**
- **Growth of dial-around services (1800 COLLECT, 1800 CALL ATT)**
 - **No longer confusing access codes to remember**
 - **IC efforts have been successful in educating consumer**
 - **FCC's requirements in CC Docket 92-77 regarding AT&T's education of its cardholders**
 - **Estimates of losses to dial-around**
 - **Debit Cards**
- **Increasing alternatives to 0+ dialing**
 - **PCS, Cellular**
- **Marketplace will have further evolved beyond need for BPP given three year implementation time frame**

MARGINAL BENEFITS OF BPP DO NOT OUTWEIGH SUBSTANTIAL COSTS

- Cost estimates of \$1.2B will drive up cost of every interLATA call
- \$1.2B Estimate does not include IXC costs
- Any net savings for consumers from reduced commission payments will not be realized because proprietors will make up for lost commission revenue through other increases
 - Commission will also need to address private payphone needs, i.e., compensation
 - Letters from Congress recognize that BPP is of value only to consumers who routinely use payphones or hotel phones, yet ALL CONSUMERS must pay to recover substantial cost of BPP
 - Bell Atlantic and BellSouth applaud Commission's efforts to simplify and expand consumer choice, but not at any price

ABILITY TO RECOVER COSTS OF BPP ARE QUESTIONABLE

- **Access code bypass will increase to avoid expense of BPP**
- **Calling card studies and focus groups reveal consumers will dial-around to get discounts**
- **Operator call volumes will decline over time due to alternatives, i.e., PCs and Cellular**
- **Educating consumers and creating economic incentives to dial-around prior to BPP deployment, will make retraining consumers to dial 0 + more difficult and make cost recovery risky**
- **Majority of BPP costs will be apportioned to intrastate jurisdiction making cost recovery more difficult**
 - **Concern over buy in from state Commissions where 75% of costs are recovered**
- **All rate payers will be asked to subsidize a service designed to benefit a small segment of the population**
- **Local exchange carriers should not be expected to incur such a substantial investment based on such marginal benefits**

PURPORTED BENEFITS OF BPP ARE UNFOUNDED

- **BPP will not improve fraud control**
 - **Fraud perpetrators will continue to use dial-around to avoid detection**
 - **No improvement over the fraud procedures LECs have in place today**
 - **Inmate fraud will rise -- without commissions penal institutions cannot pay for call control/fraud control technology**
- **BPP will not refocus competition on end user**
 - **Focus already on end user with unblocking, 1-800, and proprietary calling cards**
 - **Presubscribed carrier will lose business to dial-around if they don't meet end user needs**
- **BPP will not solve the problem of FCC TOCSIA violations**
 - **Texas PUC survey on blocked payphones**
 - **No reason to expect violators to comply with BPP either**
 - **Answer is enforcement of existing Federal and state regulations**
- **BPP will result in consumer confusion**
 - **Selecting 0 + PICs**
 - **Reemergence of "slamming"**
 - **Balloting of customers no matter how it is done, results in low response rate (less than 20%). Thus, BPP results in "big three" retaining the traffic by defaulting to 1 + PIC**
 - **Application of BPP to non-equal access offices will be more confusing to customers who do not have the same choices for 1 + calls**